

## Message Text

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PAGE 01 KUWAIT 02747 01 OF 02 071529Z  
ACTION SS-25

INFO OCT-01 ISO-00 SSO-00 /026 W  
-----038841 071532Z /46

P R 071438Z MAY 78  
FM AMEMBASSY KUWAIT  
TO SECSTATE WASHDC PRIORITY 0899  
INFO AMEMBASSY ABU DHABI  
AMEMBASSY BONN  
AMEMBASSY CAIRO PRIORITY  
AMEMBASSY DOHA  
AMEMBASSY JIDDA  
AMEMBASSY KHARTOUM  
AMEMBASSY LONDON  
AMEMBASSY PARIS  
AMEMBASSY TOKYO

C O N F I D E N T I A L SECTION 1 OF 2 KUWAIT 2747

EXDIS

E.O. 11652: GDS  
TAGS: EAID, EFIN, PGOV, EG, SA, KU  
SUBJ: KUWAITI EXASPERATION WITH PROBLEM OF EGYPTIAN AID  
  
REF: (A) STATE 107848 (NOTAL), (B) CAIRO 11489 (NOTAL),  
(C) KUWAIT 2197

1. SUMMARY: AMBASSADOR MET WITH KFAED DIRECTOR ABDUL LATIF AL-HAMAD MAY 3 TO DISCUSS ARAB ASSISTANCE TO EGYPT. AL-HAMAD, WHO NORMALLY ATTENDS CONSULTATIVE GROUP MEETINGS, EXPRESSED EXASPERATION WITH FAILURE OF EGYPTIANS TO DO THEIR PART IN MAKING THESE MEETINGS WORTHWHILE AND INDICATED THAT KUWAIT'S ATTENDANCE WAS NOT CERTAIN AND THAT HE DID NOT PERSONALLY PLAN TO BE INVOLVED. AL-HAMAD ALSO NOTED THAT GODE HAD NOT YET REACHED ANY DECISIONS ABOUT FINANCIAL DISBURSEMENTS TO EGYPT FOR 1978. AMBASSADOR POINTED TO THE PARTICULAR NEED FOR A  
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CERTAIN PORTION IN CASH AND EASILY DISBURSABLE COMMODITY AID. AL-HAMAD CRITICIZED FAILURES OF SADAT AND HIS GOVERNMENT TO PUT EGYPT'S ECONOMIC HOUSE IN ORDER AND INVEIGHED AGAINST THE OSTENTATION AND CORRUPTION OF THE EGYPTIAN UPPER MIDDLE CLASS WHICH WAS BECOMING WEALTHY UNDER EGYPT'S ECONOMIC LIBERALIZATION POLICY. END SUMMARY.

2. AMBASSADOR, ACCOMPANIED BY E/C SECTION CHIEF BUCK, MET WITH KUWAIT FUND FOR ARAB ECONOMIC DEVELOPMENT (KFAED) DIRECTOR GENERAL ABDUL LATIF AL-HAMAD MAY 3 TO DISCUSS ASSISTANCE TO EGYPT. AMBASSADOR RECALLED THAT AL-HAMAD REPRESENTED KUWAIT ON THE CONSULTATIVE GROUP FOR EGYPT AND SOLICITED HIS VIEWS REGARDING FORTHCOMING GROUP MEETING SCHEDULED FOR JUNE IN PARIS.

3. AL-HAMAD'S REACTION TO THIS SUBJECT WAS MARKEDLY EXASPERATED, CONSIDERING HIS NORMALLY CALM AND DISPASSIONATE MANNER. HE NOTED THAT HE PERSONALLY WAS OPPOSED IN PRINCIPLE TO THE CONSULTATIVE GROUP PROCESS, BUT HAD HOPED IT WOULD BE WORTHWHILE IN THE CASE OF EGYPT. HOWEVER, IT HAS TURNED OUT TO BE A WASTE OF TIME, PRIMARILY BECAUSE THE EGYPTIANS HAVE FAILED TO UPHOLD THEIR END AND TO PROVIDE THE NECESSARY MATERIAL ON WHICH GROUP MEMBERS COULD BASE THEIR ASSISTANCE PLANS. HE RECALLED THAT AT LAST YEAR'S MEETING HE HAD STRONGLY URGED THE EGYPTIANS FINALLY TO PROVIDE THE GROUP WITH THEIR FIVE-YEAR PLAN. DESPITE EGYPTIAN PROMISES, HOWEVER, NOTHING HAD MATERIALIZED AND, THEREFORE, THERE WAS NO POINT IN HIS ATTENDING THE CONSULTATIVE GROUP MEETING. IF KUWAIT DECIDED TO SEND A REPRESENTATIVE, IT WOULD BE A MORE JUNIOR KFAED OFFICIAL. AL-HAMAD ALSO MENTIONED THAT HE HAD ALSO RECEIVED A TELEX FROM IBRD'S BENJENK REGARDING A POSSIBLE MEETING IN KU AIT MAY 10 WITH THE LATTER'S DEPUTY (PAIJMANS). HOWEVER, AL-HAMAD WAS GOING TO BE K LONDON AND WOULD TRY TO ARRANGE TO MEET PAIJMANS. AL-HAMAD SAID THAT HE WOULD RESERVE HIS JUDGMENT

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ABOUT ATTENDING THE MEETING UNTIL HE HAD MET WITH PAIJMANS (SUBSEQUENTLY IT DEVELOPED THAT THE CONNECTION BETWEEN AL-HAMAD AND PAIJMANS COULD NOT BE MADE).

4. WITH REGARD TO CONSULTATIVE GROUP ATTENDANCE, THE AMBASSADOR NOTED THAT EGYPTIAN DEPUTY PRIMIN KAISOURI HAD BEEN ILL, BUT APPARENTLY WOULD BE ABLE TO MAKE THE MEETING. HOWEVER, THE MAY 3 PRESS REPORTED A SADAT ANNOUNCEMENT THAT THERE WOULD SOON BE A RESHUFFLE OF THE EGYPTIAN CABINET.

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ACTION SS-25

INFO OCT-01 ISO-00 SSO-00 /026 W

-----038856 071533Z /46

P R 071438Z MAY 78

FM AMEMBASSY KUWAIT

TO SECSTATE WASHDC PRIORITY 0900

INFO AMEMBASSY ABU DHABI

AMEMBASSY BONN

AMEMBASSY CAIRO PRIORITY

AMEMBASSY DOHA

AMEMBASSY JIDDA

AMEMBASSY KHARTOUM

AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY TOKYO

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EXDIS

5. THE AMBASSADOR THEN INQUIRED INTO THE STATUS OF GODE'S (GULF ORGANIZATION FOR DEVELOPMENT OF EGYPT) PLANS FOR EGYPT IN 1978, NOTING THAT IT WAS ESTIMATED EGYPT WOULD NEED \$1 BILLION IN GODE DISBURSEMENTS, OF WHICH \$500 MILLION WOULD BE REQUIRED IN CASH AND EASILY DISBURSABLE COMMODITY AID. AL-HAMAD REPLIED WITHOUT HESITATION THAT THERE ARE NO CURRENT GODE PLANS FOR NEW AID TO EGYPT. GODE'S THINKING AT THE MOMENT WAS "WAIT AND SEE". THE PROBLEM DID NOT LIE WITH GODE BUT WITH EGYPT WHICH NEEDED TO SET ITS ECONOMIC HOUSE IN ORDER.

6. THIS COMMENT BY AL-HAMAD THEN SET HIM OFF IN A LONG AND IMPASSIONED MONOLOGUE OF WHAT IS WRONG WITH EGYPT AND WHAT NEEDS TO BE DONE. IN ESSENCE, AL-HAMAD, WHILE RECOGNIZING THAT SADAT IS A POLITICAL ANIMAL, CRITICIZED HIM FOR FAILING TO GIVE MORE THAN CURSORY ATTENTION TO ECONOMIC MATTERS, WHICH  
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AL-HAMAD NOTED WERE THE PRIME CONCERNS OF MOST OF THE LEADERS OF THE INDUSTRIALIZED COUNTRIES. AL-HAMAD'S CRITICISM COVERED THE OSTENTATION OF SADAT AND HIS FAMILY AND CRONIES, SUCH AS OSMAN AHMAD OSMAN, AS WELL AS THAT OF THE NEW RICH MIDDLE CLASS WHO FLAUNTED THEIR WEALTH CAUSING BITTER PUBLIC RESENTMENT. AL-HAMAD MAINTAINED THAT SADAT SHOULD PICK QUALIFIED PEOPLE TO SET HIS ECONOMY STRAIGHT AND GIVE THEM THE SUPPORT THEY NEEDED TO DO SO. IN RESPONSE TO THE AMBASSADOR'S QUERY AS TO WHERE HE WOULD FIND THESE PEOPLE, AL-HAMAD SAID THAT HE HAD IN KAFED A HALF DOZEN EGYPTIANS WHO WERE QUALIFIED AND WHO WOULD BE WILLING TO DO THE JOB IF THEY RECEIVED THE NECESSARY

POLITICAL SUPPORT.

7. AL-HAMAD PURSUED THIS SUBJECT BY STRESSING THAT KUWAIT AND THE OTHER OIL-RICH ARAB COUNTRIES COULD NOT CONTINUE TO PUMP MONEY INDEFINITELY INTO EGYPT. IT WAS ABSOLUTELY ESSENTIAL THAT REFORMS OF THE EGYPTIAN ECONOMY BE UNDERTAKEN. AL-HAMAD AGREED WITH THE AMBASSADOR THAT THE WEALTHY ARABS WERE IN NO POSITION TO LECTURE THE EGYPTIANS ON CONSPICUOUS CONSUMPTION; HOWEVER, THE DIFFERENCE WAS THAT IN KUWAIT THE KUWAITIS SPLURGED WITH THEIR OWN MONEY WHILE IN EGYPT IT WAS DONE WITH THE MONEY OF OTHERS.

8. COMMENT: WHAT AL-HAMAD HAD TO SAY WILL NOT BE NEWS TO READERS IN EMBASSY CAIRO AND IN WASHINGTON, BECAUSE ALL OF IT HAS BEEN HEARD BEFORE FROM KUWAIT FINANCE MINISTER AL-ATEEQI. HOWEVER, THIS SIMILAR PRESENTATION BY ABDUL LATIF AL-HAMAD\* WHO NORMALLY TAKES A COOL PROFESSIONAL VIEW OF MATTERS, IS INDICATIVE OF THE EXTENT OF EXASPERATION OF THE KUWAITIS AND PRESUMABLY THE OTHER OIL-RICH ARABS WHO HAVE BEEN PROVIDING FINANCIAL SUPPORT FOR EGYPT. THE DILEMMA STILL REMAINS: IT IS DIFFICULT FOR THE ARABS TO TELL SADAT WHAT HE SHOULD AND SHOULD NOT DO ABOUT HIS ECONOMY, WHILE AT THE SAME TIME STRONG  
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WORDS FROM THE USG ON THIS SUBJECT WOULD BE VIEWED AS CRITICAL FOREIGN INTERFERENCE. COMPLICATING THE WHOLE PROBLEM, TOO, IS THE POLITICAL SITUATION IN WHICH SADAT FINDS HIMSELF IN THE ARAB WORLD AS THE RESULT OF HIS PEACE INITIATIVE. IT IS NEVERTHELESS CLEAR THAT THE SAUDIS AND THE GULF ARABS CANNOT LET EGYPT GO DOWN THE FINANCIAL DRAIN FOR FEAR OF THE EVENTUAL POLITICAL CONSEQUENCES TO THEMSELVES. THEREFORE, WHILE THEY WILL, IN THE FINAL ANALYSIS, ANTE UP, THEIR GENEROSITY WILL PROBABLY BE MORE LIMITED AND THEIR REACTION TO EGYPTIAN DEMANDS MUCH MORE CRITICAL AND TARDY.  
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